

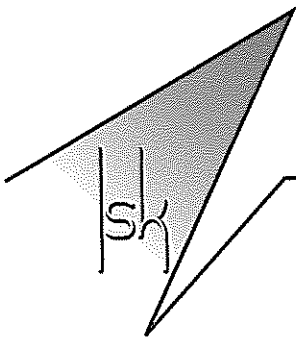
the EXCEL group

Audited Financial Statements
and Supplementary Information

For the year ended June 30, 2005

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Ludwig, Schacht & Klewer, PLLC

certified public accountants & consultants

Christopher Wm. Ludwig
Wendy G. Schacht
Julie S. Klewer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
the EXCEL group

We have audited the accompanying statement of financial position of the EXCEL group as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EXCEL group as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2005 on our consideration of the EXCEL group's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the EXCEL group taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ludwig, Schacht & Klewer, PLLC

August 24, 2005

the EXCEL group

STATEMENT OF FINANCIAL POSITION
June 30, 2005

ASSETS

Current assets:	
Cash and cash equivalents	\$ 5,686,970
Grants and contracts receivable, net	1,059,310
Prepaid expenses and other current assets	145,416
Notes receivable, due within one year	12,235
Total current assets	6,903,931
Notes receivable, due after one year	309,895
Property and equipment, net	10,898,142
Other assets	8,945
Total assets	<u>\$ 18,120,913</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Due to Arizona Department of Health Services	\$ 1,569,910
Amounts due to providers	1,166,529
Accounts payable and accrued liabilities	344,658
Accrued payroll and related benefits	1,134,674
Notes and contracts payable, due within one year	589,205
Other current liabilities	76,000
Total current liabilities	4,880,976
Notes and contracts payable, due after one year	4,627,479
Total liabilities	9,508,455
Net assets:	
Unrestricted	7,154,015
Temporarily restricted	1,458,443
Total net assets	8,612,458
Total liabilities and net assets	<u>\$ 18,120,913</u>

See independent auditors' report and accompanying notes to the financial statements.

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STATEMENT OF ACTIVITIES
For the year ended June 30, 2005

Changes in unrestricted net assets:	
Unrestricted support and revenue:	
ADHS - Title XIX and Title XXI	\$ 28,338,835
ADHS - Subvention	5,603,302
Other support and revenue	1,519,034
Housing and Urban Development	490,338
Client service fees	471,215
Yuma County	170,960
Interest income	61,721
Total support and revenue	36,655,405
Net assets released from restrictions	136,405
Total unrestricted support and revenue	36,791,810
Unrestricted expenses:	
Program services	31,384,251
General and administrative	4,526,684
Total unrestricted expenses	35,910,935
Change in unrestricted net assets	880,875
Changes in temporarily restricted net assets:	
Net assets released from restrictions	(136,405)
Change in net assets	744,470
Net assets, beginning of year	7,867,988
Net assets, end of year	\$ 8,612,458

See independent auditors' report and accompanying notes to the financial statements.

the EXCEL group

STATEMENT OF CASH FLOWS
For the year ended June 30, 2005

Cash flows from operating activities:	
Increase in net assets	\$ 744,470
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	414,672
Changes in operating assets and liabilities:	
Grants and contracts receivable, net	1,683,759
Prepaid expenses and other current assets	130,472
Other assets	350
Due to Arizona Department of Health Services	689,238
Amounts due to providers	305,918
Accounts payable and accrued liabilities	247,091
Accrued payroll and related benefits	(54,646)
Unearned grant and contract revenue	(27,961)
Other current liabilities	(14,204)
Total adjustments	<u>3,374,689</u>
Net cash provided by operating activities	4,119,159
Cash flows from investing activities:	
Cash paid for property and equipment	(27,365)
Accrued interest on notes receivable	(29,232)
Payments received on notes receivable	<u>3,465</u>
Net cash used in investing activities	(53,132)
Cash flows from financing activities:	
Payments on notes and contracts payable	<u>(632,413)</u>
Net cash used in financing activities	<u>(632,413)</u>
Net change in cash and cash equivalents	3,433,614
Cash and cash equivalents, beginning of year	<u>2,253,356</u>
Cash and cash equivalents, end of year	<u>\$ 5,686,970</u>
Supplemental cash flow information:	
Cash paid during the year for interest	<u>\$ 320,123</u>

See independent auditors' report and accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Organization

the EXCEL group, (EXCEL), is an Arizona not-for-profit corporation. EXCEL had a contract with the Arizona Department of Health Services (ADHS), which expired June 30, 2005. EXCEL had been designated as the Regional Behavioral Health Authority for the geographic region consisting of Yuma and La Paz Counties. EXCEL operated in an administrative and patient case management capacity by delivering direct services and subcontracting with other behavioral health service providers.

Effective July 1, 2005, EXCEL became a provider of services for Cenpatco Behavioral Health of Arizona, LLC. (Cenpatco). Cenpatco became the Regional Behavioral Health Authority for the geographic region consisting of Yuma and La Paz Counties

EXCEL offers a complete continuum of care including helping children, teens and adults with family problems, behavioral illnesses, emotional issues, alcohol or drug abuse and difficulties at school or work.

EXCEL's team of professionals helps individuals make positive life changes through counseling, prevention and intervention programs, community outreach and education, housing, advocacy, case management, psychiatric hospital and emergency services. A variety of specially designed and culturally sensitive programs and services are offered at locations throughout Yuma and La Paz counties.

2. Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the standards of accounting and financial reporting under the AICPA Audit and Accounting Guide, "Health Care Organizations", the Accounting & Auditing Procedures Manual for ADHS Funded Programs and generally accepted accounting principles.

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of EXCEL and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. the EXCEL group does not have permanently restricted funds.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, EXCEL considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Grants and Contracts Receivable

The allowance for doubtful accounts is based on management's analysis of possible bad debts at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

2. Significant Accounting Policies, Continued

Property and Equipment

Property and equipment is stated at cost or fair market value if donated. The costs of maintenance, repairs and minor renewals are charged to expense in the year incurred. EXCEL's policy is to capitalize expenditures for property and equipment that exceed \$5,000. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Property and equipment is reported as unrestricted support and revenue unless the granting agency or donor has restricted the asset to a specific purpose. Assets purchased with restricted funds or donated with explicit restrictions regarding their use are reported as restricted support and revenue. EXCEL reclassifies temporarily restricted net assets to unrestricted net assets as restrictions expire.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and homes	25-40 years
Furniture	7 years
Equipment	5 years
Leasehold improvements	5-40 years
Vehicles	5 years

Functional Allocation of Expenses

EXCEL allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by other reasonable methods.

Support and Revenue

EXCEL receives its grant and contract support primarily from the Arizona Department of Health Services on a capitated basis. This revenue is recognized during the period in which EXCEL is obligated to provide services to eligible members.

Advertising Costs

The cost of advertising is expensed when incurred or when the initial advertising takes place. EXCEL does not participate in direct-response advertising which requires the capitalization and amortization of related costs.

Income Taxes

EXCEL is an organization exempt from taxation under Internal Revenue Code Section 501(c)(3). Accordingly, no provision is made in the financial statements for federal or state income taxes.

3. Concentration of Credit Risk

The majority of EXCEL's cash and cash equivalents are on deposit with two financial institutions with deposits insured by the FDIC up to \$100,000 per institution. Any remaining balances are uninsured and uncollateralized. At June 30, 2005 the uninsured balance in the bank accounts was \$6,175,805.

EXCEL's accounts receivable consist of uncollateralized amounts due from federal, state and local governments, primarily from the Arizona Department of Health Services.

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NOTES TO FINANCIAL STATEMENTS

4. Grants and Contracts Receivable

Grants and contracts receivable at June 30, 2005 consist of:

Arizona Department of Health Services:	
Children CMDP TXIX - risk/retention	\$ 482,146
GMH/SA TXIX - risk/retention	314,955
Children NTXIX	25,477
Total Arizona Department of Health Services	<u>822,578</u>
Other agencies	84,019
HUD	75,014
Yuma County	33,024
Medicare	29,015
DES	15,660
Total grants and contracts receivable	1,059,310
Less allowance for uncollectible accounts	<u>-</u>
Grants and contracts receivable, net	<u><u>\$ 1,059,310</u></u>

5. Notes Receivable

Notes receivable at June 30, 2005 consists of:

Note receivable from an individual, monthly payments are receivable in the amount of \$537 including interest at 9%, collateralized by real property.	\$ 31,896
Note receivable from Hotel San Carlos Limited Partnership, monthly principal payments are receivable in the amount of \$3,261 plus interest at 10.5%, collateralized by real property.	<u>290,234</u>
Total notes receivable	322,130
Less amount due within one year	<u>(12,235)</u>
Amount due after one year	<u><u>\$ 309,895</u></u>

Future maturities of the notes receivable at June 30, 2005 are:

Year ended	
<u>June 30,</u>	
2006	\$ 12,235
2007	13,531
2008	14,966
2009	16,554
2010	18,310
Thereafter	<u>246,534</u>
	<u><u>\$ 322,130</u></u>

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NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment at June 30, 2005 consists of:

Land	\$ 1,009,848
Buildings and homes	10,979,866
Furniture and equipment	1,019,872
Leasehold improvements	414,997
Vehicles	779,939
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Total property and equipment	14,204,522
Less accumulated depreciation	(3,306,380)
	<hr/>
Property and equipment, net	\$ 10,898,142

7. Investment

During October 1997, EXCEL formed EXCELGP, an Arizona general partnership, along with an unrelated not-for-profit organization. EXCEL has a 79.9% general partnership interest in EXCELGP. EXCELGP concurrently became a .1% partner in Hotel San Carlos Limited Partnership. The Hotel San Carlos Limited Partnership owns a 60-unit multi-family apartment complex intended for rental of studio and one-bedroom units to low-income individuals and families, primarily senior citizens. The Hotel San Carlos Apartment Complex is located in Yuma, Arizona. At June 30, 2005, the investment in EXCELGP was \$80 and is included in other assets on the statement of financial position.

8. Due to Arizona Department of Health Services

Due to Arizona Department of Health Services at June 30, 2005 consists of:

Arizona Department of Health Services:	
Children TXIX - risk/retention	\$ 1,191,248
SMI HIFA II - risk/retention	101,275
Substance abuse - encounter sanction	90,090
Children TXIX DD - risk/retention	74,574
GMH HIFA II - risk/retention	35,045
Children TXXI - risk/retention	32,054
ADHS - Department of Corrections	19,322
SMI TXIX DD - risk/retention	15,645
SMI TXXI - risk/retention	10,657
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Total due to Arizona Department of Health Services	\$ 1,569,910

NOTES TO FINANCIAL STATEMENTS

9. Notes and Contracts Payable

Notes and contracts payable at June 30, 2005 consist of:

Notes payable to banks, due in monthly payments of \$308 - \$3,308 including interest at 7.0% - 15.157%, maturity dates range from December 15, 2005 through July 6, 2012; collateralized by equipment and real property.	\$ 95,209
Note payable to an individual, due in monthly payments of \$3,823 including interest at 8.0% through May 1, 2018; collateralized by real property.	368,666
Contract payable, due in monthly installments of \$132 including interest at 14.014%, through June 2007; collateralized by equipment.	5,948
Note payable to National Bank of Arizona under assignment from The Industrial Development Authority of the County of Yuma, Arizona, due in monthly payments of \$61,051 including interest at 5.26% through December 1, 2012; collateralized by real property.	4,485,548
Note payable to National Bank of Arizona, due in monthly payments of \$2,767 including interest at 7.0% through December 2, 2016; collateralized by real property.	<u>261,313</u>
Total notes and contracts payable	5,216,684
Less amount due within one year	<u>(589,205)</u>
Amount due after one year	<u>\$ 4,627,479</u>

Future maturities of the notes and contracts payable at June 30, 2005 are:

Year ended	
<u>June 30,</u>	
2006	\$ 589,205
2007	584,263
2008	612,390
2009	642,392
2010	677,531
Thereafter	<u>2,110,903</u>
	<u>\$ 5,216,684</u>

Interest expense on the notes and contracts payable during the year ended June 30, 2005 totaled \$296,528 and is included in occupancy and equipment expense.

NOTES TO FINANCIAL STATEMENTS

10. Commitments and Contingencies

Leases

EXCEL leases offices, equipment, operating facilities and homes under various operating leases. Rent expense related to these leases and other short-term rentals totaled \$547,370 during the year ended June 30, 2005.

Future minimum rental payments as of June 30, 2005 are:

Year ended June 30,	
2006	\$ 60,174
2007	57,802
2008	11,325
2009	6,000
	<u>\$ 135,301</u>

11. Related Party Transactions

During the year ended June 30, 2005, EXCEL earned a management fee of \$82,817 from Hotel San Carlos Limited Partnership and incurred office rental expense of \$58,944 to Hotel San Carlos Limited Partnership.

12. Net Assets

Net assets at June 30, 2005 consist of:

	Unrestricted	Temporarily Restricted
General purpose	\$ 1,875,047	\$ -
Capitalization required by ADHS	1,000,000	-
Client funds	-	55,953
Property and equipment	4,278,968	1,402,490
	<u>\$ 7,154,015</u>	<u>\$ 1,458,443</u>

SUPPLEMENTARY INFORMATION

the EXCEL group

SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended June 30, 2005

	Program Services	General and Administrative	Total Expenses
Payroll and related benefits	\$ 16,689,649	\$ 3,337,672	\$ 20,027,321
Professional and outside services	11,091,128	366,200	11,457,328
Occupancy expense	1,414,700	247,661	1,662,361
Materials and supplies	522,819	33,395	556,214
Equipment expense	392,448	93,351	485,799
General expenses	396,573	187,152	583,725
Communication	353,259	62,787	416,046
Transportation	431,384	17,704	449,088
Training	92,291	180,762	273,053
	<u>\$ 31,384,251</u>	<u>\$ 4,526,684</u>	<u>\$ 35,910,935</u>

Supplementary Information.
See independent auditors' report.

the EXCEL group
SCHEDULE OF TITLE XIX AND NON-TITLE XIX REVENUES AND EXPENSES
For the year ended June 30, 2005

	Children Title XIX	Title XIX CMDF	Children TXIX DD	Children Non - Title XXI and XXI	Children TXXI	Children HB 2003	SMI TXIX	SMI TXIX DD	SMI Non - Title XIX / XXI	HIFA II SMI	Adult TX Title XXI	HB2003 SMI	Title XIX GMHSA	HIFA II GMH	Mental Health	Substance Abuse	Prevention Intervention	PASRR	ADHS DOC	Other Non-Title XIX	Subtotal	Management and General	Total
Revenues:																							
401 Revenue under ADHS contract	\$ 7,168,546	\$ 2,132,454	\$ 103,986	\$ 481,089	\$ 395,980	\$ 27,961	\$ 12,475,652	\$ 116,933	\$ 2,857,561	\$ 43,011	\$ 6,292	\$ -	\$ 5,947,191	\$ 30,110	\$ 114,188	\$ 1,417,026	\$ 486,804	\$ 1,800	\$ 135,553	\$ -	\$ 33,942,137	\$ -	\$ 33,942,137
a ADHS revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b ADHS revenue - qualifying incentive payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	946,170	946,170	-	946,170
402 Specialty & other grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	471,215	471,215	-	471,215
403 Client fees (co-pays)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
404 Third party recoveries:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	248,315	248,315	-	248,315
a Medicare	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	571,672	571,672	-	571,672
b Other insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,532	90,532	-	90,532
405 Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	287,547	287,547	-	287,547
406 Other funding sources - non ADHS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,817	97,817
407 Unrelated business activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
408 Total revenue	7,168,546	2,132,454	103,986	481,089	395,980	27,961	12,475,652	116,933	2,857,561	43,011	6,292	-	5,947,191	30,110	114,188	1,417,026	486,804	1,800	135,553	2,615,451	36,557,588	97,817	36,655,405
Expenses:																							
Service expenses																							
501 Treatment services																							
a Counseling	161,001	30,459	2,430	8,866	14,570	-	331,484	696	63,833	-	96	-	311,224	2,092	899	39,020	-	-	-	-	966,690	-	966,690
Counseling, individual	168,223	16,272	1,003	4,809	17,602	-	12,614	3,318	2,335	-	-	-	36,546	359	499	578	-	-	-	-	264,158	-	264,158
Counseling, family	145,110	21,319	-	11,066	12,977	-	230,585	-	32,873	-	225	-	402,232	2,304	201	247,245	-	-	-	-	1,106,137	-	1,106,137
Counseling, group	399,512	69,016	15,370	24,082	30,288	-	289,528	11,978	94,276	332	-	-	729,817	5,594	6,085	170,596	-	1,800	-	-	1,848,274	-	1,848,274
b Consultation, assessment & specialized testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
c Other professional	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total treatment services	873,846	137,066	18,803	48,843	75,437	-	864,211	15,992	193,317	332	321	-	1,479,819	10,349	7,684	457,439	-	1,800	-	-	4,185,259	-	4,185,259
502 Rehabilitation services																							
a Living skills training	1,443	131	-	165	-	-	424	-	-	-	-	-	13,604	-	-	1,361	-	-	-	-	17,128	-	17,128
b Cognitive rehabilitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b Health promotion	141	48	-	-	-	-	135	-	-	-	-	-	10,765	-	-	1,074	-	-	-	-	12,163	-	12,163
c Supported employment services	-	-	-	-	-	-	64,409	-	177,899	-	-	-	229,744	-	-	26,283	-	-	-	-	498,335	-	498,335
Total rehabilitation services	1,584	179	-	165	-	-	64,968	-	177,899	-	-	-	254,113	-	-	28,718	-	-	-	-	527,626	-	527,626
503 Medical services																							
a Medication services	-	-	-	-	-	-	13,512	-	953	-	-	-	306,712	-	-	107,481	-	-	-	-	428,658	-	428,658
b Medical management	269,928	22,738	14,552	9,632	29,995	-	436,341	10,385	236,784	516	549	-	231,774	2,431	930	9,559	-	-	-	-	1,276,114	-	1,276,114
c Laboratory, radiology & medical imaging	-	-	256	-	-	-	7	345	31	-	-	-	5	-	-	-	-	-	-	-	644	-	644
d Electro - convulsive therapy	132	-	212	-	-	-	2,323	-	-	-	-	-	-	-	-	-	-	-	-	-	2,667	-	2,667
Total medical services	270,060	22,738	15,020	9,632	29,995	-	452,183	10,730	237,768	516	549	-	538,491	2,431	930	117,040	-	-	-	-	1,708,083	-	1,708,083
504 Support services																							
a Case management	967,166	179,717	17,973	49,078	68,251	-	1,527,943	20,150	287,436	2,563	664	-	580,462	1,740	18,693	74,757	-	-	-	-	3,796,593	-	3,796,593
b Personal assistance	54,131	7,075	-	3,452	4,012	-	91,691	640	25,843	-	103	-	17,721	47	-	570	-	-	-	-	205,285	-	205,285
c Family support	1,306	-	37	-	167	-	4,483	-	1,268	-	-	-	5,688	-	-	3,972	-	-	-	-	16,921	-	16,921
d Peer support	237	6	-	-	-	-	178	80	-	-	-	-	12,389	-	-	636	-	-	-	-	13,526	-	13,526
e Therapeutic foster care services	1,438	2,304	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,742	-	3,742
f Respite care	9,349	7,976	-	566	2	-	3,357	336	483	-	-	-	197	-	-	-	-	-	-	-	22,266	-	22,266
g Housing support	-	-	-	-	-	-	633	-	228,684	-	-	-	-	-	-	-	-	-	-	-	229,317	-	229,317
h Interpreter services	-	115	-	7,667	-	-	-	-	4,268	-	-	-	-	-	42	-	-	-	-	-	12,092	-	12,092
i Flex fund services	-	-	-	28,348	-	-	-	-	3,200	-	-	-	-	-	-	-	-	-	-	-	31,548	-	31,548
j Transportation	146,002	16,097	8,553	8,569	10,003	-	675,027	17,039	132,605	18	276	-	391,335	-	77	24,411	-	-	-	-	1,430,012	-	1,430,012
k Block purchase NTXIX	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total support services	1,179,629	213,290	26,563	97,680	82,435	-	2,303,312	38,245	683,787	2,581	1,043	-	1,007,792	1,787	18,812	104,346	-	-	-	-	5,761,302	-	5,761,302
505 Crisis intervention services																							
a Crisis intervention - mobile	64,557	14,461	800	5,605	4,743	-	264,088	351	64,594	-	-	-	93,025	-	343,664	25,020	-	-	-	-	880,908	-	880,908
b Crisis services	-	-	-	-	-	-	-	-															

the EXCEL group
SCHEDULE OF TITLE XIX AND NON-TITLE XIX REVENUES AND EXPENSES
For the year ended June 30, 2005

		Children Title XIX	Title TXIX CMDF	Children TXIX DD	Children Non - Title XXI and XXI	Children TXXI	Children HB 2003	SMI TXIX	SMI TXIX DD	SMI Non - Title XIX / XXI	HIFA II SMI	Adult TX Title XXI	HB2003 SMI	Title XIX GMHSA	HIFA II GMH	Mental Health	Substance Abuse	Prevention Intervention	PASRR	ADHS DOC	Other Non-Title XIX	Subtotal	Management and General	Total
508	Behavioral health day program																							
a	Supervised day program	288	160	-	-	37	-	289,309	9,009	46,393	-	-	-	7,633	-	-	-	-	-	-	-	352,829	-	352,829
b	Therapeutic day program	-	-	-	-	-	-	145,767	6,617	49,022	-	-	-	583,554	-	201	55,654	-	-	-	-	840,825	-	840,825
c	Medical day program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total behavioral health day program	288	160	-	-	37	-	435,076	15,626	95,415	-	-	-	591,187	-	201	55,664	-	-	-	-	1,193,654	-	1,193,654
509	Prevention services																							
a	Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	487,344	-	-	-	487,344	-	487,344
b	HIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,000	-	-	-	-	55,000	-	55,000
c	Total prevention services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55,000	487,344	-	-	-	542,344	-	542,344
510	Medication																							
a	Medication expense	691,695	50,298	-	45,483	65,652	-	2,380,059	-	609,239	-	-	-	1,300,135	-	-	58,162	-	-	-	-	5,200,723	-	5,200,723
b	Less pharmacy rebate received	(3,938)	(287)	-	(259)	(374)	-	(13,551)	-	(3,469)	-	-	-	(7,402)	-	-	(331)	-	-	-	-	(29,611)	-	(29,611)
c	Pharmacy rebate related expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total medication services	687,757	50,011	-	45,224	65,278	-	2,366,508	-	605,770	-	-	-	1,292,733	-	-	57,831	-	-	-	-	5,171,112	-	5,171,112
511	Other ADHS service expenses not reported above	-	-	-	115,991	-	27,961	-	-	-	-	-	-	-	-	-	-	-	-	-	-	143,952	208,475	352,427
512	ADHS/DOC COOL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129,376	-	129,376
513	Subtotal ADHS service expenses	5,922,876	2,178,925	67,810	465,764	337,091	27,961	11,812,105	84,283	3,157,370	3,429	1,913	-	6,118,978	14,567	439,359	1,306,647	487,344	1,800	129,376	-	32,567,597	208,475	32,766,072
520	Service expenses from non ADHS sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,259,644	1,259,644	-	1,259,644
525	Total service expense	5,922,876	2,178,925	67,810	465,764	337,091	27,961	11,812,105	84,283	3,157,370	3,429	1,913	-	6,118,978	14,567	439,359	1,306,647	487,344	1,800	129,376	1,259,644	33,817,241	208,475	34,025,716
Administrative expenses																								
601	Salaries	201,172	75,027	2,335	15,339	10,539	-	393,930	2,902	108,718	118	66	-	206,227	502	15,129	44,992	16,781	-	4,249	-	1,098,026	-	1,098,026
602	Employee benefits	36,244	13,517	421	2,764	1,899	-	70,972	523	19,587	21	12	-	37,154	90	2,726	8,106	3,023	-	766	-	197,825	-	197,825
603	Professional & outside services	23,114	8,621	268	1,762	1,211	-	45,262	333	12,492	14	8	-	23,695	58	1,738	5,170	1,928	-	488	-	126,162	-	126,162
604	Travel	4,136	1,543	48	315	217	-	8,099	60	2,235	2	1	-	4,240	10	311	925	345	-	87	-	22,574	-	22,574
605	Occupancy	6,135	2,288	71	468	321	-	12,013	88	3,315	4	2	-	6,289	15	461	1,372	512	-	130	-	33,484	-	33,484
606	Depreciation	2,583	963	30	197	135	-	5,059	37	1,396	2	1	-	2,648	6	194	578	215	-	55	-	14,099	-	14,099
607	All other operating	23,481	7,105	219	11,368	2,150	-	55,910	275	63,161	11	6	-	26,027	48	3,545	30,476	1,589	-	402	-	225,773	-	225,773
608	Subtotal ADHS administrative expenses	296,865	109,064	3,392	32,213	16,472	-	591,245	4,218	210,904	172	96	-	306,280	729	24,104	91,619	24,393	-	6,177	-	1,717,943	-	1,717,943
650	Non ADHS administrative expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	93,588	93,588	-	93,588
651	Unrelated administrative expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
652	Subtotal administrative expense	296,865	109,064	3,392	32,213	16,472	-	591,245	4,218	210,904	172	96	-	306,280	729	24,104	91,619	24,393	-	6,177	93,588	1,811,531	-	1,811,531
701	Unrelated business expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,688	-	73,688
790	Income tax provisions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a	ADHS income tax provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b	Non ADHS income tax provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
799	Subtotal income tax provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
800	Total expenses	6,219,741	2,287,989	71,202	497,977	353,563	27,961	12,403,350	88,501	3,368,274	3,601	2,009	-	6,425,258	15,296	463,463	1,398,266	511,737	1,800	135,553	1,353,232	35,628,772	282,163	35,910,935
801	Change in net assets	\$ 948,805	\$ (155,535)	\$ 32,784	\$ (16,888)	\$ 42,417	\$ -	\$ 72,302	\$ 28,432	\$ (510,713)	\$ 39,410	\$ 4,283	\$ -	\$ (478,067)	\$ 14,814	\$ (349,275)	\$ 18,760	\$ (24,933)	\$ -	\$ -	\$ 1,262,219	\$ 928,816	\$ (184,346)	\$ 744,470

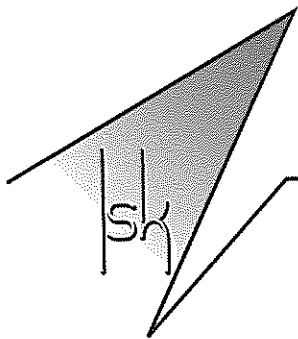
Administrative expenses separately identified on this schedule relate only to administrative expenses pertaining to the ADHS/RHBA contract. Administrative expenses pertaining to other EXCEL grants and contracts have been included within each fund type

the EXCEL group
OMB Circular A-133 Reports
For the year ended June 30, 2005

the EXCEL group
OMB Circular A-133 Reports

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Ludwig, Schacht & Klewer, PLLC

certified public accountants & consultants

Christopher Wm. Ludwig
Wendy G. Schacht
Julie S. Klewer

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
the EXCEL group

We have audited the financial statements of the EXCEL group (EXCEL) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered EXCEL's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

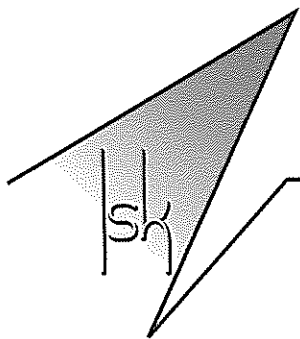
Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXCEL's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs in item 2005-1.

This report is intended solely for the information and use of the board of directors, management, Arizona Department of Health Services, Department of Housing and Urban Development, Yuma County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ludwig, Schacht & Klewer, PLLC

August 24, 2005



Ludwig, Schacht & Klewer, PLLC

certified public accountants & consultants

Christopher Wm. Ludwig
Wendy G. Schacht
Julie S. Klewer

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
the EXCEL group

Compliance

We have audited the compliance of the EXCEL group (EXCEL) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. EXCEL's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of EXCEL's management. Our responsibility is to express an opinion on EXCEL's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about EXCEL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of EXCEL's compliance with those requirements.

In our opinion, the EXCEL group complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs in item 2005-1.

Internal Control Over Compliance

The management of EXCEL is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered EXCEL's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133, Continued

Internal Control Over Compliance, Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the EXCEL group as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors, management, Arizona Department of Health Services, Department of Housing and Urban Development, Yuma County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ludwig, Schacht & Kluwer, PLLC

August 24, 2005

the EXCEL group

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identification Number	Federal Funds		
			Federal Funds Received	Federal Funds Expended	Unexpended Federal Funds
U.S. Department of Health and Human Services					
Passed through the Arizona Department of Health Services:					
Mental Health Block Grant Program '03-04:					
Children's Behavioral Health Services	93.958	099056	\$ 347,380	\$ 347,380	\$ -
Children's HB2003	N/A		-	-	-
Seriously Mentally Ill	93.958	099056	18,917	18,917	-
Mental Health	N/A		-	-	-
Total Mental Health Block Grant Program Funding			366,297	366,297	-
Substance Abuse Block Grant Program '02-03:					
Substance Abuse	93.959	099043	1,040,781	1,040,781	-
Prevention	93.959	099043	223,655	223,655	-
Total Substance Abuse Block Grant Program Funding			1,264,436	1,264,436	-
Grant Program Funding:					
PASARR	93.779	6866004791	1,800	1,800	-
ADHS/DOC-Cool	N/A	6866004791	-	-	-
Title XXI Program Funding '02-03:					
18 year-olds	93.767	6866004791	4,857	1,551	3,306
Children's Services	93.767	6866004791	305,657	272,915	32,742
HIFA BHS/SMI	93.767	6866004791	33,200	2,780	30,420
HIFA BHS/GMH	93.767	6866004791	23,242	11,807	11,435
Total Title XXI Program Funding			366,956	289,053	77,903
Title XIX Program Funding '02-03:					
Children's Behavioral Health Services	93.779	6866004791	4,831,600	4,192,103	639,497
Seriously Mentally Ill	93.779	6866004791	8,408,590	8,359,859	48,731
GMH/SA	93.779	6866004791	3,796,127	4,330,623	(534,496)
Children DES/DDD	93.779	6866004791	70,087	47,991	22,096
Seriously Mentally Ill DES/DDD	93.779	6866004791	78,813	59,649	19,164
Children's CNDP	93.779	6866004791	1,112,308	1,542,106	(429,798)
Total Title XIX Program Funding			18,297,625	18,532,331	(234,806)
Total U.S. Department of Health and Human Services			20,297,014	20,453,917	(156,903)
U.S. Department of Housing and Urban Development					
Transitional Housing for the Homeless Seriously Mentally Ill	14.235	AZ239B9710102	121,919	121,919	-
Passed through the Arizona Department of Commerce Services:					
Permanent Supportive Housing Demonstration for the Homeless Seriously Mentally Ill	14.235	AZ39T91-1004	186,515	186,515	-
Shelter plus Care Housing Demonstration for the Homeless Seriously Mentally Ill	14.238	AZ239C95-0117	181,904	181,904	-
Total U.S. Department of Housing and Urban Development			490,338	490,338	-
Other State and Local Government					
Yuma County Seriously Mentally Ill	N/A		-	-	-
All Other Sources/Management and General	N/A		-	-	-
Total Other State and Local Government			-	-	-
Total All Funds			\$ 20,787,352	\$ 20,944,255	\$ (156,903)

See accompanying notes to schedule of expenditures of federal awards.

Nonfederal Funds			Totals		
Nonfederal Funds Received	Nonfederal Funds Expended	Unexpended Nonfederal Funds	Total Funds Received	Total Funds Expended	Total Unexpended Funds
\$ 133,709	\$ 150,596	\$ (16,887)	\$ 481,089	\$ 497,976	\$ (16,887)
27,961	27,961	-	27,961	27,961	-
2,838,644	3,349,358	(510,714)	2,857,561	3,368,275	(510,714)
114,188	463,461	(349,273)	114,188	463,461	(349,273)
3,114,502	3,991,376	(876,874)	3,480,799	4,357,673	(876,874)
376,245	357,486	18,759	1,417,026	1,398,267	18,759
263,148	288,083	(24,935)	486,803	511,738	(24,935)
639,393	646,569	(6,176)	1,903,829	1,910,005	(6,176)
-	-	-	1,800	1,800	-
135,553	135,553	-	135,553	135,553	-
1,435	458	977	6,292	2,009	4,283
90,323	80,647	9,676	395,980	353,562	42,418
9,811	821	8,990	43,011	3,601	39,410
6,868	3,489	3,379	30,110	15,296	14,814
108,437	85,415	23,022	475,393	374,468	100,925
2,336,946	2,027,635	309,311	7,168,546	6,219,738	948,808
4,067,063	4,043,492	23,571	12,475,653	12,403,351	72,302
2,151,064	2,094,633	56,431	5,947,191	6,425,256	(478,065)
33,899	23,212	10,687	103,986	71,203	32,783
38,120	28,851	9,269	116,933	88,500	28,433
1,020,146	745,885	274,261	2,132,454	2,287,991	(155,537)
9,647,238	8,963,708	683,530	27,944,763	27,496,039	448,724
13,645,123	13,821,621	(176,498)	33,942,137	34,275,538	(333,401)
-	-	-	121,919	121,919	-
-	-	-	186,515	186,515	-
-	-	-	181,904	181,904	-
-	-	-	490,338	490,338	-
170,961	170,961	-	170,961	170,961	-
2,051,969	974,098	1,077,871	2,051,969	974,098	1,077,871
2,222,930	1,145,059	1,077,871	2,222,930	1,145,059	1,077,871
\$ 15,868,053	\$ 14,966,680	\$ 901,373	\$ 36,655,405	\$ 35,910,935	\$ 744,470

the EXCEL group

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2005

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the EXCEL group and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2005

Section I - Summary of Auditors' Results

<u>Financial Statements</u>			
Type of auditors' report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
* Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
* Reportable condition(s) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported	
* Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	
<u>Federal Awards</u>			
Internal control over major programs:			
* Material weakness(es) identified:	<u> </u> yes	<u> X </u> no	
* Reportable condition(s) identified not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported	
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> X </u> yes	<u> </u> no	
Identification of major programs:			
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>		
93.779	Title XIX Program Funding		
Dollar threshold used to distinguish between Type A and Type B programs:	\$628,328		
Auditee qualified as low-risk auditee?	<u> X </u> yes	<u> </u> no	

the EXCEL group

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2005

Section II – Financial Statement Findings

There were no financial statement findings.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs

2005-1 U.S. Department of Health and Human Services:

Alcohol, Drug and Mental Health Block Grant, including Children's and SMI Behavioral Health Services - Data Verification

Condition

A total of 60 customer files representing 120 service events were selected for review. The sample was selected judgmentally so that all service types could be represented. The review focused specifically on the reporting service of events through the ADHS and AHCCCS to determine whether appropriate clinical documentation of the services was reflected in the customer files. Of the 60 customer files tested, 49 customer files contained no findings. Of the 11 customer files tested that contained findings, the results of our findings are:

- a. Of the 120 service events tested, 1 service event documented a customer file was not properly billed. In addition, 6 service events billed through the ADHS and AHCCCS were not properly documented in customer files.
- b. In addition to the review for service documentation performed above, the client files were reviewed for compliance with clinical documentation requirements as noted in the enrollment policies and procedures manual of ADHS. The results of our file testing are as follows:

<u>Findings</u>	<u>Number of Occurrences</u>
Documents missing from client files:	
Consent to treatment	1
Psychological assessment	1
SMI determination summary	2
Referral form	2

Context

Services performed and encounters reported during the fiscal year.

Criteria

Customer service events must be properly documented and reported. Client files must contain proper documentation.

Cause

Failure to follow internal control policies and procedures.

Effect

Noncompliance with internal control policies and procedures.

Recommendation

Continue to train employees regarding proper internal control policies and procedures. Continue internal monitoring systems.

the EXCEL group

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2005

Section III – Federal Award Findings and Questioned Costs, Continued

Management's Response

EXCEL will continue to monitor and provide technical assistance to its provider network with the objective of reducing data reporting, documentation, and billing errors and ensuring completeness of clinical records.

the EXCEL group

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2005

Section IV – Summary Schedule of Prior Audit Findings

U.S. Department of Health and Human Services:

Alcohol, Drug and Mental Health Block Grant, including Children's and SMI Behavioral Health Services -
Data Verification

During the year ended June 30, 2004, findings included undocumented services and services performed and documented but not reported. Findings also included occurrences of missing documentation from client files. Missing documentation consisted of consent to treatment forms and referral forms.

Current status: EXCEL continues to make improvements in internal controls.